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UNCLAS SECTION 01 OF 04 HANOI 000719

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SENSITIVE

E.O. 12958: N/A

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SUBJECT: Pragmatic Diplomacy: Vietnam's Relations with Post-Communist Russia, Eastern Europe and Mongolia

Summary and Comment

1. (SBU) Vietnam's relations with post-Communist Russia, Eastern Europe and Mongolia have shown the GVN's willingness to move beyond ideology and politics to satisfy practical foreign policy, economic and security needs. In the years following the collapse of the Soviet Union and the demise of Communism in Eastern Europe, Vietnam's "pragmatic diplomacy" led it to reach out to its formerly Communist, yet nonetheless traditional, "friends" to lessen its international isolation and for help as a counterbalance against China. In more recent years, Vietnam's "strategic partnership" with Russia has yielded modest trade and investment gains, and Hanoi continues to look to Moscow to be its primary arms supplier and, perhaps unreasonably, a regional actor with the ability to play a balancing role against China.

2. (SBU) Summary, cont'd: Vietnam has recently viewed its relations with Eastern Europe, particularly with new EU member states Poland, Hungary and the Czech Republic, as a means to use its traditional friendships with these countries to gain "back door" access to the EU. In the case of post-Communist Mongolia, a lack today of ideological and political ties, combined with little in the way of practical benefits, has led to a largely symbolic relationship based on the two countries' "traditional friendship." While personal ties persist between the leaders and citizens of Vietnam and their counterparts in Russia and Eastern Europe, these are diminishing, making way for the rise of leaders and others with personal ties to countries outside of Vietnam's traditional orbit, including the United States. End Comment.

Put Away Those Russian Grammars

3. (SBU) The collapse of the Soviet Union and the demise of Communism in Eastern Europe were unexpected and painful shocks to Vietnam and its leadership. In 1990, trade with the Soviet Union made up close to 70 percent of Vietnam's overall trade turnover, with the remainder covered by Vietnam's other Council for Mutual Economic Assistance (COMECON) partners. Vietnam's commodities and military-related imports received favorable Soviet financing, and Hanoi relied on Soviet loans to cover its trade deficit. Following the USSR's collapse in 1991, the Soviet Union's economic and military support for Vietnam effectively dried up, and, in one year, trade between the two fell by more than half. "At that time, many Vietnamese believed that Vietnam's economy would collapse as a result of what happened," Bui Huy Khoat, Director of the Institute for European Studies (IES), told us.

4. (SBU) No less dramatic was the psychological impact of the events taking place in Eastern Europe and the Soviet Union. The Soviet Union and its European satellites were the ideological and political models for Vietnam, and many of Vietnam's elites (including today's Communist Party Secretary General, State President and Prime Minister) were

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products of the Soviet education system. Thousands of guest workers - Vietnamese labor exported to the Soviet Union and Eastern Europe to help to pay for imports - had started families and put down roots in these countries. Russian language study had been a key part of most Vietnamese students' curricula. Following the events of the early 1990's, much of this changed. Most guest workers were forced to return home, and Vietnam's Ministry of Education began to phase out the study of Russian. According to one Vietnamese in her mid-30's, "We learned Russian until 1991, and then we started learning English. Hardly anyone our age can speak Russian anymore."

Pragmatism Rules

5. (SBU) Between 1991 and 1994, relations between Vietnam and Russia and post-Communist Eastern Europe "did not progress smoothly," according to IES' Khoat. Part of the reason was Vietnam's "inability to understand" what was

happening within the borders of its former allies. Two other reasons specific to Russia were "President Yeltsin's lack of goodwill towards Vietnam" and the "difficult time" Vietnam and Russia had in resolving the issue of Vietnam's debt to the former Soviet Union, Khoat continued. (Note: In 2000, Russia announced that it would cut Vietnam's estimated USD 11 billion debt by 85 percent, with repayment restructured over the next 23 years at about USD 100 million per year. End note.)

16. (SBU) However, in 1993-1994, Vietnam "came to the conclusion" that it needed to reach out to its former allies to "rebuild the traditional friendships" it had previously enjoyed with the new Russia and newly post-Communist Eastern Europe, Nguyen Thai Yen Huong of the MFA's Institute for International Relations (IIR) told us. This was based on Vietnam's "conscious and pragmatic decision to diversify its foreign relations and not to allow ideology become an obstacle in its ties with Russia and Eastern Europe," Huong continued. Most pragmatic of all was Vietnam's attempt to renew ties with Russia and the nations of Eastern Europe as a way to lessen Vietnam's isolation (only partially diminished by its withdrawal from Cambodia) and as a counterbalance against China. Vietnamese Government and Party leaders' personal ties to Russia and the Eastern bloc also spurred on and helped to facilitate a renewal of relations, Huong added.

Russia: "Strategic Partner," with Constraints

17. (SBU) With the exchange of several high-level visits (including Russian President Putin's to Vietnam in 2001 and Communist Party of Vietnam General Secretary Nong Duc Manh's to Russia in 2004), frequent Ministerial-level contacts and growing trade and investment ties, Vietnam-Russia relations "have returned to normal," Deputy Director General Nguyen Ngoc Binh of the MFA's Europe 1 (Russia and Eastern Europe) Department told us. Where once Vietnam and Russia were "strategic allies," they are now "strategic partners." According to DDG Binh, this "partnership" includes bilateral cooperation in multilateral forums, Russian arms sales to Vietnam (including advanced fighters and air defense systems) and "significant" Russian investments in Vietnam's oil and gas sectors and power industry. Vietnam also counts on Russia to be a "balancing force" in the Asia-Pacific region, Binh said. "They straddle two continents and aim to regain their superpower status and global influence; they too are seeking to check China," he noted.

18. (SBU) However, there are limits to the Vietnam-Russia partnership. According to IIR's Huong, trade and investment levels are "not living up to their potential and growing slowly" because the economies of both countries are "in transition." "Perhaps after Russia and Vietnam accede to the World Trade Organization (WTO), things will get better," he opined. (Note: Both Russia and Vietnam are looking to accede to the WTO by the end of 2005. End Note.) In terms of arms sales, while true that Russia is the major supplier of arms and spare parts to Vietnam, "the Russians still sell their more advanced equipment to China," IES' Khoat ruefully observed. Finally, according to Russian Embassy Political Counselor Sergey Tolchenov, "We recognize that Vietnam looks to us for big things in this part of the world, namely with respect to China. But we cannot always live up to their expectations."

Eastern Europe: Vietnam's Back Door into Europe?

19. (SBU) Compared to Vietnam's relationship with Russia, its ties with the nations of Eastern Europe improved relatively more quickly "because they had less far to fall," Khoat said. Freed of ideology and based largely on "mutual interest," Vietnam's relations with Poland, the Czech Republic and Hungary moved forward rapidly, and now Vietnam enjoys good ties with them in many areas, including trade, technology transfers, modest arms sales and educational and cultural relations. With many Vietnamese businesses and traders active in Eastern Europe "for decades," they are well positioned to take advantage of the EU entry of the Czech Republic, Poland and Hungary to expand Vietnamese exports to the EU as a whole, IIR's Huong predicted.

10. (SBU) Problems persist, however. Although Vietnamese items exported to Poland and Hungary are of "high quality and could be sold" anywhere in Europe, EU rules governing the value of imports and tariff rates have raised the prices of Vietnamese goods, making them less competitive, IES' Khoat said. Another problem that has emerged is that the EU's expansion has diminished Vietnam's share of EU investment, with new money being directed towards the new member economies. Finally, according to Czech Republic Embassy Political Counselor Michaela Fejfarova, "The Vietnamese think that, with EU expansion, their companies doing business in Prague can now just as easily do business

in Paris. It doesn't work that way, and many will be in for a disappointment."

Vietnam and Mongolia: Friendship, but not much more

11. (SBU) Mongolia's transition to democracy in the early 1990's was another jolt to one of Vietnam's traditional friendships. Although Vietnam's decision to "move beyond ideology" helped eventually to get Vietnam-Mongolia relations back on track, "we really don't have that much to talk about," Mongolia's Ambassador to Vietnam Baasanjav Ganbold told us. Bilateral trade is quite modest (the two sides recently agreed to try to raise two-way trade to USD 10 million by 2010) and transportation links are limited. "Our political systems are moving in different directions and, without much else upon which to base our relations, we rely on our traditional ties," Ganbold said.

Personal Ties Persist, but are Diminishing

13. (SBU) The personal ties between the leadership and citizens of Vietnam and Russia and post-Communist Eastern Europe persist, aided by the language and educational experiences of many Vietnamese. For example, during President Putin's 2001 visit to Vietnam, he was able to conduct many of his official meetings virtually entirely in Russian. "Many Government and Party leaders speak Polish, and it is very easy for me to pick up the phone and make an appointment or get information," Polish Embassy Counselor Zbigniew Polanczyk told us. To shore up these personal ties, both Vietnam and its traditional friends continue to make efforts to promote educational and cultural exchanges, such as through the annual Russian scholarships for 250 Vietnamese students, MFA's Binh said.

14. (SBU) However, Russia and Eastern Europe, while still attractive as sources of scientific and technological expertise, are increasingly less popular destinations for Vietnamese students and researchers. According to Nguyen Khoa Son, Vice President of the Vietnamese Academy of Science and Technology, "Our scientists prefer to go to the United States, Japan and Germany; these are the real cradles of high technology. It also increasingly difficult for our researchers to find guest positions at Russian institutes and universities." There is also the perception that Russia is "not a safe place" following the murders of several Vietnamese students in Moscow, MFA's Binh told us. Of potentially longer term impact, however, is the perception that Russia and Eastern Europe "represent Vietnam's past, and the United States represents Vietnam's future," IES' Khoat said. "When President Putin visited, he joined a gathering of Russian university alumni. Everyone was over 50. The relationship with Russia is tied to the past and based on emotion and nostalgia. However, when President Clinton visited that same year (2001), he met with Hanoi National University students. The image, in contrast to Putin's audience, was one of youth and dynamism," Khoat observed.

Comment

15. (SBU) Over the past 15 years, Vietnam has had to change the basis of its relationship with Russia and the countries of the former Eastern bloc from an ideological partnership to interests-based one, a change that it has executed mostly successfully. Still, many policymakers in Vietnam want to believe in the potency of Russia's global reach and the importance of its role in the region. They see a Vietnam-Russia strategic partnership as one potential pole in a multipolar world and as a hedge against growing Chinese influence in the region. However, some academics and even our Russian colleague quoted above have expressed skepticism about Vietnam's expectations.

16. (SBU) Longer term, while personal ties persist between the leaders and citizens of Vietnam and its traditional friends in Russia and Eastern Europe, they are diminishing. This is making way for the rise of leaders and others with personal ties to countries outside of Vietnam's traditional orbit, including the United States. This transition is already apparent in the Mission's applicant pool for Humphrey and Fulbright scholarships and International Visitors Programs. Many applicants whose resumes share a common motif of Russian study and travel in the 1980's are now demonstrating a readiness to study, do research and travel to the United States. Furthermore, we are beginning to see Government and Communist Party leadership with U.S. academic credentials: Vietnam's Minister of Agriculture and State Bank Governor are Harvard alumni and a rising star in the Party's External Relations Commission is a SAIS graduate. End Comment.

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